



CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL  
(A Component Unit of the State of Delaware)  
Dover, Delaware

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AUDITED FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
Year Ended June 30, 2005

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Dover, DE 19904  
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To the Public:

I am pleased to submit Campus Community School's financial statements for fiscal year 2005.

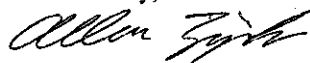
Campus Community School has proven to be very successful in attracting students and in helping students be successful academically. The State of Delaware Quality Review Team submitted findings in May 2005 commending Campus Community School for:

- "developing an educational program that embraces project-based learning experiences and constructivism in order to help students meet and exceed the state standards."
- "creating an environment that actively seeks to diversify its body of students."
- "honoring diversity in the classroom by promoting inclusive classrooms and instruction."
- "promoting a team approach to student achievement by creating teams that consist of an advisor, parent, and student to review the student's academic portfolio on a timely basis."
- "offering interdisciplinary coursework for its students in the core content areas and the arts."
- "Building a connection with Wesley College to enable students to participate in college-level coursework in order to address their accelerated academic needs and to provide the school with additional support during the school day. The partnership also enables the teachers to further their own professional development through Wesley College's MBNA School of Professional studies."
- "Embracing international education as a cultural element of the school."

In addition to this positive report, the State Board of Education received a performance review this summer based on the past three years of operation. The review was done by the Department of Education. The report showed that Campus Community School was very successful and showed that students attending Campus Community School did very well on state testing.

The success of Campus Community School has encouraged full enrollment. There is also a significant waiting list. The first senior class graduated from Campus Community High School in June, 2005.

Sincerely,



Allen Zipke  
School Administrator

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STATE OF DELAWARE  
OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE  
AUDITOR OF ACCOUNTS

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INDEPENDENT AUDITORS' REPORT

SCHOOL BOARD MEMBERS  
CHARTER SCHOOL, INC. D/B/A CAMPUS COMMUNITY SCHOOL  
Dover, Delaware

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charter School, Inc. d/b/a Campus Community School (the "School") (a component unit of the State of Delaware) as of and for the year ended June 30, 2005 which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2005 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2005 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The School has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on pages 18 and 19 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of

management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The condensed government-wide financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The condensed government-wide financial statements have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

OFFICE OF AUDITOR OF ACCOUNTS

R. Thomas Wagner, Jr., CGFM, CFE  
Auditor of Accounts

Dover, Delaware  
August 12, 2005



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE  
AUDITOR OF ACCOUNTS

PHONE: (302) 739-4241  
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

SCHOOL BOARD MEMBERS  
CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL  
Dover, Delaware

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Charter School, Inc. d/b/a Campus Community School (the "School") as of and for the year ended June 30, 2005 which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2005-01 and 2005-02.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relative low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted certain additional matters that we reported to management of the School in a separate letter dated August 12, 2005.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the School's management, School Board Members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

## OFFICE OF AUDITOR OF ACCOUNTS

R. Thomas Wagner, Jr., CGFM, CFE  
Auditor of Accounts

Dover, Delaware  
August 12, 2005

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

STATEMENT OF NET ASSETS  
JUNE 30, 2005

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
CURRENT ASSETS	
Cash and Cash Equivalents	
Unrestricted	\$ 209,505
Restricted	8,478
Receivables	
Delaware School Districts	2,709
Governments – Federal through State	1,579
Other	252
Current Portion of Bond Issuance Costs	23,222
TOTAL CURRENT ASSETS	<u>245,745</u>
NONCURRENT ASSETS	
Capital Assets, Net of Depreciation	6,265,304
Bond Issuance Cost, Net of Amortization	383,172
TOTAL NONCURRENT ASSETS	<u>6,648,476</u>
TOTAL ASSETS	<u>6,894,221</u>
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
Accounts Payable	20,045
Accrued Salaries and Related Costs	540,843
Compensated Absences	42,307
Leases Payable	9,854
Debt	147,917
TOTAL CURRENT LIABILITIES	<u>760,966</u>
NONCURRENT LIABILITIES	
Lease Payable	43,620
Debt	3,908,740
TOTAL NONCURRENT LIABILITIES	<u>3,952,360</u>
TOTAL LIABILITIES	<u>4,713,326</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	2,561,567
Restricted for Capital Projects	8,478
Unrestricted (Deficit)	<u>(389,150)</u>
TOTAL NET ASSETS	<u>\$ 2,180,895</u>

See accompanying notes to basic financial statements.



CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2005

					NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS
	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
GOVERNMENTAL ACTIVITIES					
Instructional Services	\$ 3,939,279	\$ -	\$ 581,002	\$ -	\$ (3,358,277)
Supporting Services:					
Operation and Maintenance of Facilities	713,786	-	-	-	(713,786)
Transportation	152,269	-	-	-	(152,269)
School Lunch Services	103,964	76,197	36,766	-	8,999
Interest	170,890	-	-	-	(170,890)
TOTAL CHARTER SCHOOL	<u>\$ 5,080,188</u>	<u>\$ 76,197</u>	<u>\$ 617,768</u>	<u>\$ -</u>	<u>(4,386,223)</u>
GENERAL REVENUES					
Charges to School Districts					672,039
State Aid not Restricted to Specific Purposes					3,735,238
Earnings on Cash and Cash Equivalents					5,788
Miscellaneous Revenues					7,663
TOTAL GENERAL REVENUES					<u>4,420,728</u>
CHANGE IN NET ASSETS					34,505
NET ASSETS AT BEGINNING OF YEAR					<u>2,146,390</u>
NET ASSETS AT END OF YEAR					<u>\$ 2,180,895</u>

See accompanying notes to basic financial statements.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

BALANCE SHEET – GOVERNMENTAL FUNDS  
 JUNE 30, 2005

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash and Cash Equivalents			
Unrestricted	\$ 209,505	\$ -	\$ 209,505
Restricted	-	8,478	8,478
Receivables			
Delaware School Districts	2,709	-	2,709
Governments – Federal through State	1,579	-	1,579
Other	252	-	252
TOTAL ASSETS	<u>\$ 214,045</u>	<u>\$ 8,478</u>	<u>\$ 222,523</u>
 <u>LIABILITIES</u>			
Accounts Payable	\$ 20,045	\$ -	\$ 20,045
Accrued Salaries and Related Costs	540,843	-	540,843
Compensated Absences	42,307	-	42,307
TOTAL LIABILITIES	<u>603,195</u>	<u>-</u>	<u>603,195</u>
 <u>FUND BALANCES</u>			
Unreserved			
General Fund (Deficit)	(389,150)	-	(389,150)
Capital Projects Fund	-	8,478	8,478
TOTAL FUND BALANCES (DEFICIT)	<u>(389,150)</u>	<u>8,478</u>	<u>(380,672)</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 214,045</u>	<u>\$ 8,478</u>	<u>\$ 222,523</u>

See accompanying notes to basic financial statements.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

RECONCILIATION OF THE BALANCE SHEET OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2005

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Total Fund Balances – Governmental Funds	\$ (380,672)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The total cost of capital assets is \$6,726,124 and the related accumulated depreciation is \$460,820.	6,265,304
Loan closing costs are not available to pay for current period expenditures and therefore, are deferred in the funds.	406,394
Long-term debt liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(4,056,657)
Long-term capital lease liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(53,474)
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 2,180,895</u>

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2005

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL FUNDS
REVENUS			
State Support	\$ 3,735,238	\$ -	\$ 3,735,238
Federal Support	235,896	-	235,896
Charges to School Districts	672,039	-	672,039
School Lunch Services – Charges for Services	76,197	-	76,197
School Lunch Services - Grants	36,766	-	36,766
Local Fundraising	53,304	-	53,304
Earnings on Cash and Cash Equivalents	5,788	-	5,788
Miscellaneous Revenues	7,663	-	7,663
Other Local Sources	5,452	-	5,452
Contributions – In-kind	286,350	-	286,350
TOTAL REVENUES	<u>5,114,693</u>	<u>-</u>	<u>5,114,693</u>
EXPENDITURES			
Current			
Instructional Services	3,765,079	-	3,765,079
Supporting Services:		-	
Operation and Maintenance of Facilities	690,564	-	690,564
Transportation	152,269	-	152,269
School Lunch Services	103,964	-	103,964
Capital Outlay			
Land, Buildings and Improvements	60,000	-	60,000
Debt Service			
Principal	121,701	-	121,701
Interest and Other Charges	170,890	-	170,890
TOTAL EXPENDITURES	<u>5,064,467</u>	<u>-</u>	<u>5,064,467</u>
EXCESS OF REVENUES OVER EXPENDITURES	50,226	-	50,226
OTHER FINANCING SOURCES			
Capital Lease Proceeds	<u>60,000</u>	<u>-</u>	<u>60,000</u>
NET CHANGE IN FUND BALANCES	110,226	-	110,226
FUND BALANCES (DEFICIT) AT BEGINNING OF YEAR	<u>(499,376)</u>	<u>8,478</u>	<u>(490,898)</u>
FUND BALANCES (DEFICIT) AT END OF YEAR	<u>\$ (389,150)</u>	<u>\$ 8,478</u>	<u>\$ (380,672)</u>

See accompanying notes to basic financial statements.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2005

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Net Change in Fund Balances – Total Governmental Funds	\$ 110,226
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 or land improvements with an initial cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Capital Outlays	60,000
Depreciation Expense	(174,200)
Governmental funds report loan closing costs as expenditures. However, in the statement of activities, loan closing costs are capitalized and the cost is allocated over the life of the loan and reported as amortization expense.	
Amortization Expense	(23,222)
Governmental funds report repayments of capital lease liabilities as debt expenditures. However, in the statement of net assets, the repayment reduces long-term leases payable.	6,526
Governmental funds report the net present value of capital leases as other financing sources. However, in the statement of net assets, it increases capital leases payable.	(60,000)
Governmental funds report repayments of long-term debt as an expenditure, but the repayment reduces long-term liabilities in the statement of net assets.	115,175
CHANGE IN NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>\$ 34,505</u>

See accompanying notes to basic financial statements.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

STATEMENT OF FIDUCIARY NET ASSETS – AGENCY FUND  
JUNE 30, 2005

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	STUDENT ACTIVITIES FUND
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$ 20,833</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$ 20,833</u>

See accompanying notes to basic financial statements.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charter School, Inc. d/b/a Campus Community School (the "School") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

Reporting Entity

The School, which opened in September 1998, was established to provide a unique learning environment to students. The School is considered to be a component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's operations. The School has no component units for which it is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the School.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students who purchase, use, or directly benefit from goods and services provided and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants and other revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

The School reports the following major governmental funds:

- The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- The Capital Projects Fund accounts for major construction projects.

Additionally, the School reports the following fund type:

- The Agency Fund (fiduciary fund) accounts for assets held on behalf of student and parent groups.

Cash And Cash Equivalents

Except for the restricted cash equivalents and cafeteria, fundraising, and student activity cash accounts, cash and cash equivalents of the School are controlled by the State Treasurer's Office in Dover, Delaware. The cafeteria, fundraising, and student activity cash accounts are controlled by the School.

Capital Assets

Capital assets are reported in the government-wide financial statements. The School defines capital assets as assets with an initial individual cost of more than \$5,000 or land improvements with a cost of more than \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend lives of the assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements are depreciated over forty years using the straight-line method.

Compensated Absences

Vacation pay plus related payroll taxes is accrued when incurred in the government-wide financial statements and the governmental funds because the liability is considered current.

Vacation

Twelve-month employees can accumulate up to 42 days of vacation. Employees are paid for unused vacation upon termination, retirement, etc. at the current rate of pay. Vacation leave allowances for twelve-month employees are as follows: 10 days for employees with 0-5 years of service; 15 days for employees with 6-15 years of service; 20 days for employees with over 15 years of service.



CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences - Continued

Sick Leave

Sick leave allowances are as follows: 10 days for 10-month employees, 11 days for 11-month employees and 12 days for 12-month employees. Any unused sick days shall be accumulated to the employee's credit without limit. Compensation for accumulated sick days is paid when employees qualify and apply for State pension and is paid at a rate of 50 percent of the per diem rate of pay not to exceed 90 days.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. No such reservations or designations existed at June 30, 2005.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2005, the School has cash and cash equivalents balance of \$217,983. Of that amount, \$155,434 is part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware and all investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in these financial statements.

The funds held by the State of Delaware investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost.

The school activity, fundraising, and cafeteria accounts are in the custody of School officials. The book and bank balances of these funds were \$54,066 and \$56,253, respectively. The bank balance of cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) and, therefore, there is no custodial credit risk for these cash deposits.

Wachovia Trust Company held \$8,478 (book and bank balance) at June 30, 2005 of unspent bond proceeds in money market accounts. These funds are subject to custodial risk because they are not collateralized.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 follows:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Capital Assets Not Being Depreciated:				
Land	\$ 150,000	\$ -	\$ -	\$ 150,000
Capital Assets Being Depreciated:				
Buildings and Improvements	6,516,124	60,000	-	6,576,124
Less Accumulated Depreciation:				
Buildings and Improvements	286,620	174,200	-	460,820
Total Capital Assets Being Depreciated, Net	6,229,504	(114,200)	-	6,115,304
Capital Assets, Net	\$ 6,379,504	\$ (114,200)	\$ -	\$ 6,265,304

Depreciation expense is \$174,200 for the year ended June 30, 2005 and is included in instructional services in the statement of activities. Depreciation expense included \$8,000 of depreciation on leased assets.

NOTE D - LEASING ARRANGEMENTS

The School has leased photocopier equipment under a capital lease with Canon Financial Services. The cost of the equipment at time of lease was \$60,000. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. Monthly payments including principal and interest are approximately \$1,400. Interest expense for the year ended June 30, 2005 was approximately \$6,100.

The future minimum lease obligations are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2006	\$ 9,854	\$ 6,993	\$ 16,847
2007	11,353	5,493	16,846
2008	13,081	3,765	16,846
2009	15,072	1,775	16,847
2010	4,114	98	4,212
TOTAL	\$ 53,474	\$ 18,124	\$ 71,598

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

NOTE E - PENSION PLAN

School employees are considered State employees and are covered under the State's pension program. The State contributed 13.25% for fiscal 2005 of the State's share of the employees' salary. The School contributed the same percentages on the local share of the salary. The employees contribute 3% of salary in excess of \$6,000 per share up to social security maximum and 3% for any salary above social security maximum. Total pension cost of \$285,310 (State share), \$19,487 (local share) and \$8,344 (federal share) is included in the financial statements. Pension costs accrued at June 30, 2005 were approximately \$52,000.

Certain significant plan provisions follow:

- Early Retirement:
  - a. 15 Years Service - Age 55
  - b. 25 Years Service - Any Age
- Service Retirement:
  - a. 15 Years Service - Age 60
  - b. 30 Years Service - Any Age
  - c. 5 Years Service - Age 62
- Disability Retirement:
  - a. 5 Years Service and Proof of Disability
- Vested Pension:
  - a. An employee can vest pension rights after five years of service.

The State's pension program is a defined benefit plan. More information on this plan is available in the State of Delaware Public Employee Retirement System (DPERS) Comprehensive Annual Financial Report. This report may be obtained by writing DPERS at Suite 1, McArdle Building, 860 Silver Lake Boulevard, Dover, Delaware 19904 or calling 1-800-722-7300.

NOTE F - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the School. The School's administration believes such disallowance, if any, would be immaterial.

NOTE G - RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in either of the past two years. There were no significant reductions in coverage compared to the prior year.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

NOTE H - DONATED SPACE AND SERVICES

The School leases space from Wesley College at a yearly rate of \$1, which is substantially less than market value. Wesley College also pays for the costs of utilities, repairs, and maintenance for the building. For fiscal year 2005, the estimated fair market value of the donated space was \$286,350.

NOTE I - LONG-TERM DEBT

Kent County, Delaware issued \$4,385,000 Variable Rate Demand/Fixed Rate Revenue Bonds Series of 2002 for the benefit of the School. The School used the proceeds of the bonds to finance or refinance all or a portion of the costs of renovating existing buildings located at 310-334 and 346-350 Pear Street, Dover, Delaware into classrooms, other academic areas, a gymnasium, a lunchroom and other accessory school uses and pay a portion of the costs and expenses of issuing the bonds. The bonds were issued pursuant to a Trust Indenture dated November 1, 2002 between Kent County and Wachovia Trust Company, N.A., as trustee. Kent County has loaned the proceeds of the bonds to the School.

In order to facilitate the issuance and sale of the bonds, Wachovia Bank, National Association issued its irrevocable letter of credit to the trustee for the account of the School authorizing the trustee to make draws on the bank up to an aggregate of \$4,451,316.

The bond proceeds are to be repaid over twenty years with the final payment due in 2022 and interest is capped at 4.48%. The bonds are secured by real estate and buildings and improvements on Pear Street in Dover, Delaware. The loan documents require the School to maintain certain financial ratios.

Annual debt service requirements to maturity for bonds are as follows:

YEAR ENDING JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2006	\$ 147,917	\$ 180,287	\$ 328,204
2007	155,833	173,624	329,457
2008	165,833	167,486	333,319
2009	172,916	158,669	331,585
2010	180,833	151,356	332,189
2011-2015	1,057,083	626,157	1,683,240
2016-2020	1,362,917	362,130	1,725,047
2021-2022	813,325	59,632	872,957
TOTAL	<u>\$ 4,056,657</u>	<u>\$ 1,879,341</u>	<u>\$ 5,935,998</u>

NOTE J - DEFICIT FUND EQUITY

The general fund had a deficit fund balance of \$389,150 at June 30, 2005, which the School expects to recover through ongoing operations.

REQUIRED SUPPLEMENTAL INFORMATION

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
YEAR ENDED JUNE 30, 2005

	BUDGETED AMOUNTS		ACTUAL AMOUNTS BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
State Support	\$ 3,649,214	\$ 3,649,214	\$ 3,735,238	\$ 86,024
Federal Support	170,000	170,000	235,896	65,896
Charges to School Districts	568,314	568,314	669,330	101,016
Earnings on Cash and Cash Equivalents	1,000	1,000	5,788	4,788
Miscellaneous Revenues	5,000	5,000	8,330	3,330
Other Local Sources	-	-	5,452	5,452
School Lunch Services	-	-	112,714	112,714
Local Fundraising	-	-	53,304	53,304
TOTAL REVENUES	<u>4,393,528</u>	<u>- 4,393,528</u>	<u>4,826,052</u>	<u>432,524</u>
EXPENDITURES				
Current:				
Communications	10,000	10,000	12,325	(2,325)
Computer/Word Processing/Software	19,000	19,000	6,998	12,002
Contracted Services	104,000	104,000	134,049	(30,049)
Contractual Food Expense	-	-	100,250	(100,250)
Employment Costs	784,314	784,314	929,204	(144,890)
Insurance	18,956	18,956	19,239	(283)
Miscellaneous	154,200	154,200	91,646	62,554
Other Contractual Services	118,000	118,000	129,139	(11,139)
Public Utility Services	74,000	74,000	71,752	2,248
Repairs and Maintenance	9,725	9,725	15,212	(5,487)
Salaries	2,450,981	2,450,981	2,473,182	(22,201)
Supplies and Materials	111,028	111,028	150,812	(39,784)
Transportation - Buses	151,312	151,312	152,269	(957)
Travel	-	-	13	(13)
Tuition Subsidies	10,000	10,000	17,443	(7,443)
Capital Outlay:				
Buildings and Equipment	5,600	5,600	5,253	347
Debt Service:				
Principal, Interest, Fees	325,000	325,000	343,204	(18,204)
TOTAL EXPENDITURES	<u>4,346,116</u>	<u>4,346,116</u>	<u>4,651,990</u>	<u>(305,874)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 47,412</u>	<u>\$ 47,412</u>	<u>174,062</u>	<u>\$ 126,650</u>
Fund Balance at Beginning of Year			<u>43,921</u>	
Fund Balance at End of Year			<u>\$ 217,983</u>	

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE –  
 BUDGET AND ACTUAL – GENERAL FUND TO THE  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE – GENERAL FUND  
 YEAR ENDED JUNE 30, 2005

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The School's budget is prepared on the cash basis of accounting. The amount reported as "net change in fund balance" on the budgetary basis derives from the cash basis of accounting. Revenues are reported when received and expenditures are reported when paid. This amount differs from the "net change in fund balance" reported in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds on page 9.

That statement is prepared on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The following reconciles the net change in fund balance per the budgetary basis to the net change in fund balance per the modified accrual basis.

NET CHANGE IN FUND BALANCE, BUDGETARY BASIS	\$ 174,062
Net Increase in Receivables	2,089
Net Increase in Liabilities	<u>(65,925)</u>
NET CHANGE IN FUND BALANCE, MODIFIED ACCRUAL BASIS	<u>\$ 110,226</u>

OTHER INFORMATION



CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

CONDENSED GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 JUNE 30, 2005

The primary government requires a classification of receipts which differs from accounting principles generally accepted in the United States of America at the School level.

The following are condensed government-wide financial statements as of and for the year ended June 30, 2005:

STATEMENT OF NET ASSETS (In Thousands)

CURRENT ASSETS

Cash and Cash Equivalents:

Unrestricted	\$ 209	
Restricted	8	
Receivable from Primary Government	5	
Other Current	23	
TOTAL CURRENT ASSETS	<u>245</u>	\$ 245

NONCURRENT ASSETS

Capital Assets, Non-Depreciable	150	
Capital Assets, Depreciable, Net	6,115	
Other Noncurrent	383	
TOTAL NONCURRENT ASSETS	<u>6,648</u>	

TOTAL ASSETS	<u>6,893</u>
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CURRENT LIABILITIES

Accounts Payable	20	
Accrued Liabilities	541	
Accrued Compensated Absences	42	
Current Portion - Capital Leases	10	
Current Portion of Long-Term Debt	148	
TOTAL CURRENT LIABILITIES	<u>761</u>	

NONCURRENT LIABILITIES

Capital Leases	43	
Notes Payable	3,909	
TOTAL LIABILITIES	<u>4,713</u>	

NET ASSETS

Invested in Capital Assets, Net of Related Debt	2,561	
Restricted for Capital Projects	8	
Unrestricted	(389)	
TOTAL NET ASSETS	<u>\$ 2,180</u>	

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

CONDENSED GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 JUNE 30, 2005

**STATEMENT OF ACTIVITIES** (In Thousands)

EXPENSES		\$ 5,080
PROGRAM REVENUES		
Charges for Services	\$ 76	
Operating Grants and Contributions – Primary Government	272	
Operating Grants and Contributions – Other	345	
Capital Grants and Contributions – Primary Government	-	
TOTAL PROGRAM REVENUES		<u>693</u>
NET EXPENSE		(4,387)
GENERAL REVENUES		
Payments from Primary Government	4,407	
Earnings on Cash and Cash Equivalents	6	
Miscellaneous	8	
TOTAL GENERAL REVENUES		<u>4,421</u>
CHANGE IN NET ASSETS		34
NET ASSETS AT BEGINNING OF YEAR		<u>2,146</u>
NET ASSETS AT END OF YEAR		<u>\$ 2,180</u>

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Campus Community School.
2. Two reportable conditions were identified during the audit of the basic financial statements of Campus Community School.
3. No instances of noncompliance material to the financial statements Campus Community School were disclosed during the audit.

**FINDINGS – COMPLIANCE REPORTING**

None.

**FINDINGS – FINANCIAL REPORTING**

Finding 2005-01

Campus Community School's Business Manager prepares and approves manual documents and enters and approves the documents in DFMS. The Business Manager also completes the monthly reconciliations.

The School's Business Manager signs PHRST's Payroll Authorization Form as the Human Resource Supervisor, the Benefits Administration Supervisor, and the Payroll Supervisor. In addition, two employees with PHRST access have the ability to access and revise their payroll data.

The State of Delaware *Budget and Accounting Manual* states, "One of the basic and most successful methods of achieving internal control is through the segregation of duties. The segregation of duties divides the responsibility for a transaction or activity among different parties so that no one employee has complete control over the processing of transactions. This method of control increases the likelihood that if one person makes an error, another will discover it. Segregation of duties also reduces the risk that one person would perpetrate and/or conceal errors in the normal course of his or her duties."

A mitigating control for the lack of segregation of duties would be a management review; however the School did not provide evidence of that review. As a result, there is an increase in the risk of misappropriation of assets due to the lack of segregation of duties.

**RECOMMENDATION:**

The School Administrator or Deputy School Administrator provide the second level of approval of documents in DFMS and/or review the monthly reconciliations of DFMS activity and sign the reconciliations to denote his review and approval.

The School implement PHRST sign-on controls at the School level that limit employees' ability to access and revise their payroll data. The School assign more than one individual the responsibility of overseeing the Human Resources, Benefits, and Payroll areas.

CHARTER SCHOOL, INC. D/B/A  
CAMPUS COMMUNITY SCHOOL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2005

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*AUDITEES RESPONSE:*

We are currently restructuring our office and administrative duties. The intent is to disburse and segregate DFMS and PHRST duties and responsibilities. Our employee's ability to revise and update their own payroll record is a PHRST system issue that we have no control of. It is our understanding that PHRST and the Auditors Office are aware of this concern.

Finding 2005-02

Campus Community School's Business Manager makes monthly principal and interest payments on the letter of credit with Wachovia Bank, National Association. The School does not receive account statements from Wachovia; hence, reconciliations are not performed and the School is not aware of the current balance.

According to the State of Delaware *Budget and Accounting Manual*, "The following specific control objectives are widely accepted as elements of good control and should be used by management and financial manager:

Authorization - ensuring that all transactions are approved by management  
Validation - ensuring that recorded transactions represent real transactions."

Reconciliations are a method to ensure accuracy and consistency between recorded amounts and amounts reported by third parties. Reconciliations assist in identifying (1) the inclusion of improper data in the accounting records and (2) data improperly omitted from the accounting records.

*RECOMMENDATION:*

Campus Community School officials obtain monthly account statements from Wachovia and reconcile activity to the amounts recorded in DFMS.

Campus Community School officials summarize fiscal year activity for financial reporting purposes.

*AUDITEES RESPONSE:*

At the final closing of our loan, we received a payment schedule that lists monthly principal and interest payments, along with monthly balances through the term of our loan. All payments have followed that schedule. We will contact Wachovia to inquire about a monthly statement.

**STATUS OF PRIOR AUDIT FINDINGS**

Finding 2004-01

During our June 30, 2004 audit, we noted that it is not unusual for the same person to collect cafeteria money, prepare the deposit, and take the deposit to the bank, as well as maintain students' individual account records. This lack of segregation of duties increases the likelihood of misappropriation.

*RECOMMENDATION:*

Campus Community School segregate the duties of maintaining the student accounting records and the collected of monies.

*Auditees Plan For Corrective Action:*

Based on your recommendation, we have assigned the duties of collection of cafeteria money and maintenance of student accounts to separate employees.

*Current Year Status:*

Implemented



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS

R. THOMAS WAGNER, JR., CGFM, CFE  
AUDITOR OF ACCOUNTS

PHONE: (302) 739-4241  
FAX: (302) 739-2723

August 12, 2005

To the Members of the Board and President and Mr. Allen Zipke, School Administrator  
Campus Community School  
Dover, Delaware

In planning and performing our audit of the financial statements of Campus Community School (the School) for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the other information section of the June 30, 2005 financial statements as 2005-01 and 2005-02.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, errors, or fraud may occur and not be detected by such controls.

During our audit, we became aware of several other matters that are opportunities for strengthening internal control and operating efficiency. These matters are described in Appendix A, "Other Comments and Recommendations".

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2005 financial statements, and this report does not affect our report on those financial statements dated August 12, 2005. We have not considered the internal control since the date of our report.

This report and the attached comments and recommendations in Appendix A are intended solely for the information and use of the School's management, School Board Members, Department of Education, Office of the Governor, Office of Controller General, Office of Attorney General, Office of Management and Budget, and Secretary of Finance and is not to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(c), this report is public record and its distribution is not limited.

Sincerely,

OFFICE OF AUDITOR OF ACCOUNTS

R. Thomas Wagner, Jr., CGFM, CFE  
Auditor of Accounts

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## OTHER COMMENTS AND RECOMMENDATIONS

### ***Finding: Written Policies and Procedures***

Campus Community School has insufficient policies and procedures regarding the recording, processing, summarizing, and reporting of revenues, receivables, and receipts and does not have written policies and procedures regarding the recording, processing, summarizing, and reporting of expenditures and payroll and related liabilities. In addition, the School does not have policies and procedures regarding the recording, processing, summarizing, and reporting of cash held outside of DFMS.

According to the State of Delaware *Budget and Accounting Manual*, "department or agency heads are responsible for establishing and maintaining an effective system of internal control." Additionally, the *Manual* states, "internal control provides management with reasonable assurance that its policies and procedures are implemented and consistently followed to ensure efficient and effective organizational operation." Further, the *Manual* states, "A well designed system of controls must include written policies and procedures to ensure that each control objective is met".

By not maintaining sufficient policies and procedures for financial transactions, the School has no method of ensuring efficient and effective organizational operation.

### ***Recommendation:***

Campus Community School develop and implement sufficient written policies and procedures governing the recording, processing, summarizing, and reporting of revenues, receivables, and receipts; expenditures; payroll and related liabilities; and cash held outside of DFMS. These policies and procedures should incorporate information such as:

- Sufficient segregation of duties or mitigating controls
- Specific job functions for each employee, including preparation and review
- Retainage of support documentation

### ***Management Response:***

Campus Community School administration will meet with representatives from the Auditor's Office to assist us in preparing the above mentioned policies and procedures.

### ***Finding: Reconciliation Timeliness and Verification***

Campus Community School maintains four accounts outside of DFMS. Bank reconciliations for these accounts were not signed or dated by the Business Manager.

According to the State of Delaware *Budget and Accounting Manual*, "the following specific control objectives are widely accepted as elements of good control and should be used by management and financial managers:

- Validation - ensuring that recorded transactions represent real transactions.
- Authorization - ensuring that all transactions are approved by management."

Lack of signatures and dates results in failure to provide evidence of timely validation and authorization. AOA was unable to determine if reconciliations were performed timely.

### ***Recommendation:***

The Business Manager at Campus Community Charter School should sign and date bank reconciliations to signify validation and authorization.

### ***Management Response:***

Going forward, the Business Manager will sign and date bank reconciliations.

## OTHER COMMENTS AND RECOMMENDATIONS

***Finding: PHRST Reconciliations***

School officials were unable to provide evidence of reconciliation of payroll amounts to the general ledger (DFMS).

According to the State of Delaware *Budget and Accounting Manual*, "the following specific control objectives are widely accepted as elements of good control and should be used by management and financial manager:

Validation - ensuring that recorded transactions represent real transactions.

Authorization - ensuring that all transactions are approved by management."

Failure to perform payroll reconciliations may result in payroll errors that are undetected.

***Recommendation:***

Campus Community School's Business Manager should reconcile payroll amounts to the general ledger (DFMS) on a bi-weekly basis. The School's Director should review the reconciliations and sign as evidence of his review and approval. The reconciliations should be retained until a successful audit has been completed, as stated in the State of Delaware *Budget and Accounting Manual*.

***Management Response:***

In the future, the Business Manager will reconcile payroll to DFMS on a bi-weekly basis and keep the documentation until a successful audit has been completed.

***Finding: Receipts for Cash Received***

Campus Community School receives money for items such as donations and parking permits. Receipts are prepared only when cash is received; receipts are not given for checks received. Therefore, supporting documentation is not maintained for all money received by the School.

According to the State of Delaware *Budget and Accounting Manual*, "cashiers will issue an official pre-numbered receipt to a payor, a copy of which will be retained in file for audit purposes."

***Recommendation:***

Campus Community School prepare receipts when both cash and checks are received and incorporate this procedure into their written policies and procedures regarding cash. The School should prepare receipts using triplicate receipts - the original is given to the person giving the money, one copy is attached to the CR document, and the remaining copy should remain in the receipt book for ease of reconciliation.

***Management Response:***

Campus Community School administration will meet with representatives from the Auditor's Office to assist us in preparing the above mentioned policies and procedures.

## OTHER COMMENTS AND RECOMMENDATIONS

### ***Finding: Checks Returned to the School***

Checks are returned to the School for mailing if there are expenditures with multiple invoices, no vendor number, checks that require a form sent with it, or in other instances. The School does not maintain supporting documentation for these checks. Checks may be returned to the same person that initiated or authorized the payment.

State of Delaware Division of Accounting Memorandum 03-03 states, "checks resulting from approved payments must not be returned to the person that initiated or authorized the payment."

Whenever vendor checks are not mailed directly to vendors, the risk of misappropriation of funds increases.

### ***Recommendation:***

Campus Community School implement policies and procedures for transactions in which checks are returned to the School for mailing/distribution. The School should maintain documentation supporting the disbursement of the check. One method to track returned checks would be to establish a manual tracking spreadsheet. This spreadsheet should list the vendor, payment voucher number, check number, check date, and either the date the check was mailed or the signature of the person to whom the check was delivered and the date of delivery. Finally, the person that received the returned check directly from the Department of Finance should initial the line.

Due to limited staff of the School, it would be difficult to properly segregate duties related to returned checks. As a mitigating control, the School's Director should review the tracking spreadsheet on a quarterly basis; his signature will denote his review and approval.

### ***Management Response:***

A log will be kept containing the above mentioned information and signed by the person picking up the check from the State Treasurer's Office.

### ***Finding: Timecard Review and Preparation***

School administrators did not sign hourly employees' timecards to denote review and approval of reported time.

According to the State of Delaware *Budget and Accounting Manual*, "the following specific control objectives are widely accepted as elements of good control and should be used by management and financial manager:

- Authorization - ensuring that all transactions are approved by management
- Validation - ensuring that recorded transactions represent real transactions."

Campus Community School employee timecards were not signed by the School Administrators. Failure to approve employee timecards may result in inaccurate time reporting and resulting pay and/or payment of unauthorized time.

### ***Recommendation:***

Campus Community School officials review timecards for accuracy and sign as evidence of review and approval.

Campus Community Charter School implement a standard method of time reporting.

### ***Management Response:***

All time cards will be signed by a School Administrator.



**OTHER COMMENTS AND RECOMMENDATIONS****STATUS OF PRIOR AUDIT FINDINGS*****Finding: Debt***

The School is not aware of where it stands with the bond. The School does not receive any information during the year regarding the Debt Service account at Wachovia or account where the proceeds from the bond were deposited or information about disbursements to the bond paying agent.

***RECOMMENDATION:***

Campus Community School request monthly statements from the bank so they can monitor the activity in the accounts that have to do with their debt.

***Current Year Status:***

Not Implemented. This finding can be found on the June 30, 2005 Schedule of Findings and Questioned Costs.